

LATE NEWS

Aeroflot Crash Near East Berlin

BERLIN (AP) — A Soviet Aeroflot jetliner with 62 people aboard crashed while approaching Schoenefeld Airport in East Berlin on Friday. The official East German news agency ADN said 17 survivors were pulled from the wreckage in early rescue efforts.

The airplane said the crash toll was not immediately known, adding that 73 passengers and nine crew members were aboard the flight from Moscow.

East German state television news said eight survivors were brought to a hospital for treatment. Two were in critical condition in the hospital's intensive care unit, according to the television account.

U.S. Aide to Africa

WASHINGTON (AP) — Michael H. Ammann, the U.S. undersecretary of state for political affairs, is to meet in Zambia with representatives of the African National Congress, South Africa's main rebel group, as part of a four-day trip to southern Africa, the State Department said Friday.

His trip, which begins Sunday, is to include visits to Botswana, Malawi and Zimbabwe.

INSIDE TODAY

Source: Militant on the side of the White House

Portrait and other Old Masters. Page 7.

GENERAL NEWS

- Beirut refugees camp were sheltered as truce talks to halt the fighting. Page 2.
- Mysterious provocations are blamed for much of the recent violence in Paris. Page 2.
- Demands for democracy were made in posters at two Chinese universities. Page 2.
- Control took part in weekend fighting along the Honduras-Nicaragua border, local forces say. Page 3.

BUSINESS/FINANCE

- Banks granted, Manila a three-month moratorium on \$3.6 billion in debt. Page 2.
- U.S. prices at the wholesale level rose 0.5 percent in November. Page 2.

Congress Finds CIA Promoted Iran Deal

Emerging Details of Casey's Role Anger Members of 2 Intelligence Committees

By Bob Woodward
Washington Post Service

WASHINGTON — The director of the CIA, William J. Casey, encouraged the secret White House initiative toward Iran in the summer of 1985 by providing his own intelligence evaluation, according to sources.

Mr. Casey's evaluation supported Israeli claims that moderates in Iran were willing to open talks with the United States, the sources said.

As congressional committees continued their investigations Thursday and Friday, a number of sources with firsthand knowledge said there was growing uneasiness among members of Congress about Mr. Casey's role in the Iran affair.

They said it had become increasingly apparent that the CIA played a major part in the transactions.

The congressional committees are discovering that dozens of people, including arms merchants, for-



William J. Casey, director of the CIA, arriving to testify before a House panel.

ON PAGE 3

■ An Iranian middleman in the arms sales said he had helped free American hostages in Lebanon.

■ Canada is investigating reports that Canadian businessmen financed Iranian purchases of U.S. weapons.

OPEC Set To Lower Its Output

Cut of Up to 10% Would Aim at \$18-a-Barrel Oil

By Thomas W. Nether
International Herald Tribune

GENEVA — Oil ministers of the Organization of Petroleum Exporting Countries have tentatively agreed to cut production by 5 to 10 percent across the board in a move designed to raise prices to around \$18 a barrel, delegates meeting here said Friday.

But no final accord was reached, and the cartel's leaders were scheduled to open a third day of talks Saturday. Most delegations were consulting with their governments overnight on the proposed production cut, which would take effect Jan. 1.

Nevertheless, said Fernando Santos-Alvite, the No. 2 member of the Ecuadorian delegation, "there is agreement."

"We finish tomorrow," said Mansoor bin Othman, oil minister of the United Arab Emirates, who was said to be the main architect of the tentative accord.

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Brazilians Protest Austerity Drive

Workers in São Paulo made their way on foot during a general strike Friday called to protest government austerity measures. The strike shut some factories, schools, transportation and offices but failed to muster nationwide support. The government said that 8 to 10 percent of the nation's 20 million workers joined the strike. Organizers had sought 60 to 90 percent participation.

For Democrats, Sudden Hope

1988 Is Looking Better to Them as Iran Affair Unfolds

By Paul Taylor
Washington Post Service

WILLIAMSBURG, Virginia — Democratic moderates gathering here to begin shaping a party agenda for the 1988 presidential campaign found themselves divided by a strange assortment of things they may actually care about.

The surge in hopefulness, mostly an outgrowth of the Iran affair, infused a conference of the Democratic Leadership Council on Thursday with a mix of giddiness, sobriety and pragmatism.

"The biggest mistake we could make is to view the Iran affair as a free pass to the White House," warned Charles S. Robb, the council chairman and former governor of Virginia.

He added, "Not even the most partisan Democrat can take any delight in the president's very serious predicament."

Nonetheless, not even the sober Mr. Robb was resisting the Iran affair, asking, "What did the president know and when did he know it?"

Nor did his audience of elected officials and party contributors and activists stifle their laughs.

The leadership council, which met after the 1984 election in a group of Democrats, mostly from the South and the West, who were disappointed with what they saw as the national party's drift to the left.

The gathering was partly a showcase for the ideas of party moderates, as they consider themselves, and partly a stage for four conference founders — Mr. Robb, Senator Sam Nunn of Georgia, Representative Richard A. Gephardt of Missouri, and Governor Bruce E. Babbitt of Arizona. All four are prospective candidates on the national ticket in 1988.

Most of all, the conference turned to a kind of pep rally as Democrats told one another that if they showed clear of unapologetic moderation and the politics of narrow interest groups, they could capitalize on what William Schneider, a political analyst, described as "the mounting excitement in 1988 the electorate will be in a mood to buy what Democrats have to sell."

If the council has its way, what the party will be selling is a strong but lean military; the political course that would link pay to performance and the politics of narrow interest groups; they could capitalize on what William Schneider, a political analyst, described as "the mounting excitement in 1988 the electorate will be in a mood to buy what Democrats have to sell."

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NATO Ministers Oppose

Total Ban on Missiles

By James M. Markham
New York Times Service

BRUSSELS — The North Atlantic Treaty Organization distanced itself Friday from President Ronald Reagan's goal of eliminating all U.S. and Soviet ballistic missiles in the framework of an arms-control accord.

A communiqué issued at the end of a two-day meeting of NATO foreign ministers refrained from mentioning Mr. Reagan's goal, which he first enunciated during talks with Mikhail S. Gorbachev in London in October.

According to diplomatic sources, both Britain and France made it clear that they would not endorse Mr. Reagan's proposition, which

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A Protein in Blood Cells May Inhibit AIDS Virus

By Erik Eckholm
New York Times Service

NEW YORK — Scientists in San Francisco have found that a type of human white blood cell inhibits duplication of the AIDS virus in a test tube, suggesting a possible new approach to treatment of the fatal disorder.

In a report published Friday, the researchers theorized that the action of these suppressor T-cells, one of several types of blood cell involved in the body's response to disease agents, may explain why some people infected with the AIDS virus do not become ill.

Previously, they said, patients who have become sick could be treated by enhancing the body's supply of suppressor T-cells.

"This is the first indication that individuals have in themselves a means of controlling the virus," said Jay A. Levy of the University of California at San Francisco, a virus expert who is the leader of the research team.

Other scientists said the findings were intriguing but urged great caution in their interpretation.

"There's a big jump between the test tube and the living patient, and we should be careful about extrapolating," said Martin S. Hirsch of the Massachusetts General Hospital, an expert on the treatment of acquired immune deficiency syndrome.

Mr. Levy said his new laboratory results bolstered his belief that many individuals with healthy immune systems could control the AIDS virus without the fatal effects that occur with the disease. He said his findings have argued that the infection tends to cause disease only in individuals whose immune



POLAND, FIVE YEARS LATER — A Polish soldier standing guard in Warsaw after martial law was declared.



In December 1981, Polish leaders appealed on Friday for unity on the eve of the anniversary of the decree. Page 2.

New Famine Seen as Ethiopia Relief Fades

By Scott Kraft
Los Angeles Times Service

ADDIS ABABA, Ethiopia — Just a year ago, this parched country was flooded with help. Foreign relief workers dugged the better, cargo planes crisscrossed the skies and international aid agencies sent tons of food to the remotest regions.

That help has now retreated swiftly. Foreign assistance to Ethiopia in the coming year is expected to be less than a quarter of the \$1.5 billion spent in 1985. Aid from Western governments has fallen by as much as 90 percent and private giving, spurred by the compelling television pictures of famine, has dried up.

The United Nations Office for Emergency Operations is closing this month. Most of the four dozen relief agencies that grew into existence last year are closing, but with small crews and smaller budgets.

But high-level government officials, relief workers and economic analysts agree that the famine in Ethiopia still has a long way to go. Another famine is inevitable. The long-term aid that Ethiopia

U.S. Puts Higher Figure On Boesky's Sell-Off

By Nathaniel C. Nash
New York Times Service

WASHINGTON — The Securities and Exchange Commission has disclosed that Ivan F. Boesky, while negotiating terms of his settlement with the U.S. government, was permitted to pay off \$1.4 billion in debt through the sale of stocks and the closing out of other arbitrage-related activities.

Those transactions, which allowed an investment fund managed by Mr. Boesky to avoid substantial losses, involved more than two times the amount previously known to have been liquidated before the government's action against Mr. Boesky on Nov. 14.

The new disclosures heightened concerns about the fairness of the SEC's action in the case.

The figures were developed Thursday in congressional testimony by SEC officials. Afterward, when questioned by reporters, the SEC's director of market regulation, Richard G. Ketchum, declined to be specific on how much of the \$1.4 billion debt reduction involved the liquidation of large stock holdings.

The SEC disclosure of the \$1.4 billion debt reduction — from a level of about \$2.5 billion — occurred an earlier report in The New York Times that the size of Mr. Boesky's fund portfolio was about \$2.5 billion in early July, when he began cutting it back. In addition to the debt, the fund had more than \$200 million in equity provided by its investors.

In late March, the Boesky fund, known as Ivan F. Boesky & Co., was started with \$200 million from 40 partners, and \$660 million in subsequent debt. Typically, such investment partnerships are leveraged with additional borrowed funds.

Mr. Boesky was known to have invested heavily in corporate takeover stocks, and Wall Street traders who follow his activity estimate that the \$1.4 billion debt reduction involved the sale of public issues of the same securities to a bank or other lender in return for cash.

One Wall Street source close to the government's insider told investigation said the SEC instructed Mr. Boesky to begin an orderly liquidation of his holdings in early July, because it feared the impact on both the banking system and the overall stock market if his fund's accounts were frozen until after

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Beirut Refugee Camps Shelled; Iranians Try to Mediate Truce

BEIRUT — Tank and mortar fire struck two Beirut refugee camps Friday as Iranian mediators continued a mission to end more than 10 weeks of fighting between Lebanese Shiite Muslims and Palestinians.

Heavy explosions boomed from Beirut's Chatila and Burj al-Brajneh settlements, nearby residents reported.

Palestinian sources said two people were killed and four were wounded in Burj al-Brajneh as Shiite Amal militiamen pounded it with tank and mortar fire.

The shelling forced refugees to take cover in basements after a relative lull, a source said.

Shiite Lebanese Amal fighters remained in combat positions at Maghdoush and village near Sidon, and at the Palestinian camp of Rashidiyah, near Tyre.

Palestinian sources said Amal fighters killed at least one person and wounded two when they fired on refugees who ventured into Rashidiyah to pick vegetables in a nearby field.

There was no independent confirmation of the report and Amal officials could not be contacted immediately for comment.

Iranian peace drive stalled on Wednesday amid disputes on the extent of a promised Palestinian pullback from Maghdoush and on the quantity of supplies Amal had pledged to allow into Rashidiyah.

Iranian Embassy sources, cited by the leftist daily newspaper As-Safir, said Amal and the Palestinians had been told firmly to observe the cease-fire, although no deadline had been set.

An Iranian diplomat formally denied the report. But both sides also have received an Iranian warning.

"We have heard the reports and we deny them in general," the chargé d'affaires, Mahmoud Nourani, said.

Several Iranian negotiators left Beirut for Damascus on Thursday to brief Iran's deputy foreign minister, Hossein Sheikholeslam, on latest problems with the cease-fire.

However, an Iranian representative, Issa Tabatabaie, remained in



A Palestinian guerrilla watches as a Christian woman laments the destruction of her house in southern Lebanon.

Poles Urged To Unite on Martial Law Anniversary

WARSAW — Senior political figures in Poland called on Friday for national unity.

The call came on the eve of the fifth anniversary of the declaration of martial law, which was imposed to suppress the Solidarity trade union.

Henryk K. Jablonski, the former head of state who signed the martial-law decree announced on Dec. 13, 1981, told the official PAP news agency that the measure had been necessary "to carry out the democratic transformation of our society and to create conditions for national agreement."

Maciejewski F. Rakowski, a former deputy prime minister who was involved in negotiations with Solidarity leaders, quoted unidentified Catholic observers as saying that up to 2,000 lives could have been lost if the government had not acted.

Mr. Rakowski said only martial law, which lasted for 18 months, had enabled a period of change in Poland.

He told television viewers on Thursday that the past five years have been a time of political uncertainty. Society now evaluates events more rationally, Mr. Rakowski said.

He said the Solidarity movement was a "great force for change" and that the government should not forget its role in the process.

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WORLD BRIEFS

Basques Blamed in 2 Bomb Attacks

ZARAUZ, Spain (Reuters) — A bomb believed planted by Basque separatists blew the hands off the Spanish owner of a French automobile showroom in this northern Spanish town Friday only hours after a car bomb wounded four persons in Barcelona, police said. Leticia Irujo, owner of the Renault showroom here, was also hit in the face by flying shrapnel.

In Barcelona, a car containing an estimated 18 pounds (eight kilograms) of explosives destroyed 13 vehicles at a Citroën showroom and blew out windows of adjacent buildings Thursday night.

Police said they suspected both attacks were the work of Basque guerrillas, who have attacked several French automobile showrooms and stores in recent months in retaliation for France's expulsion of Basque separatists wanted in Spain.

A government spokesman said that state radio was broadcasting warnings to the population in the tea-growing district of Dibrugarh, about 100 miles (160 kilometers) northeast of Guwahati, not to touch the ground if they found them. However, the warning broadcast at the request of the air force, was causing panic in the district, the spokesman said.

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Irish Coalition Is Forced Into Minority in Parliament

By Robert O'Connor

DUBLIN — Alliance, a right-wing member of the Irish parliament, has resigned from the parliamentary coalition of the ruling Fine Gael party, cutting the party into a minority that could bring about the government's fall.

Her action Wednesday concluded a decision by Prime Minister Garrett FitzGerald, who is also Fine Gael leader, to expel her.

Mr. FitzGerald, who represents an inner-city Dublin district, had argued her colleagues with an assertion that those who had campaigned to legalize divorce were enemies of the people.

Enter list of enemies, published in a newsletter, included members of the media, labor leaders, politicians, feminists, and "the leadership of most of the churches with the exception of the Catholic Church."

Agony Protestants leaders said Mrs. Glenn's remarks "were deeply hurtful insult." Rabbi Ephraim

Milvitz, leader of Ireland's Jewish community, described her statement in a newsletter as "unforgivable."

Five Gael repudiated Mrs. Glenn's words as "unforgivable." After initially refusing to apologize, Mrs. Glenn wrote she was sorry "for any hurt of offense caused."

She also said her words had been "misinterpreted." She said she was sorry "for any hurt of offense caused."

During the controversy, Mrs. Glenn, who was already in trouble for her constitution, was re-elected. Under the new constitution, she can win an independent seat in the Dail, the lower house of parliament, with the civil law to conform with the teachings of the Catholic Church.

Mr. FitzGerald is committed to the lesser influence of the church in Irish life. His most recent effort in that direction — the divorce referendum in June — ended in a landslide when more than 60 percent of Irish voters said no to legalized divorce.

But the Glenn affair has deeper ramifications. Her departure from the Fine Gael means that Mr. FitzGerald's coalition government is now a minority of 105 seats, out of 166 seats in the Dail.

The government has already survived one test, a vote on the country's relationship with the rest of Europe. It is also expected to benefit from a new election in 1987.

The next campaign, when it comes, promises to be especially complicated. The Single European Act will bring Ireland further within the EC's apparatus. A new extradition law would virtually eliminate political motives as a barrier to extradition.

But next month, the opposition Fianna Fail party expects the government to fall over spending cuts dictated by a tight 1987 budget.

Fianna Fail's leader, Charles Haughey, has predicted a February election. He said the government would be "forced to resign."

Mr. FitzGerald's Fine Gael-Labor Party coalition, which has until the end of next year to run, has survived recent Dail votes by the narrow margin. The spectacle of a stumbling government has embarrassed friendly observers.

"Does there not come a time," asked the Irish Times recently after Mr. FitzGerald was saved by the vote, "when the realization of its own inadequacy dawns clearly on a government?"

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Sandoz Plant Leak Injured 1,250

BASEL, Switzerland (Reuters) — Doctors in Basel said Friday that 1,250 people sought treatment after a gas leak at a chemical plant last month, complaining of breathing and eye problems and vomiting.

The gas leaked after a fire at the Sandoz AG plant in Basel on Nov. 13, which resulted in toxic chemical wastes being dumped into the Rhine River, polluting Europe's busiest waterway.

The Basel Medical Association said in a preliminary report on the accident that the serious health damage had been feared but it warned that the long-term effects were unpredictable. "The only thing the doctors of Basel can say with certainty is that the population was exposed to excessive risk," it said.

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U.S. to Upgrade Chernobyl-Type Plant

RICHMOND, Washington (AP) — The only U.S. nuclear reactor with a design similar to that used at the Chernobyl plant in the Soviet Union will be closed by the end of the year for safety modifications recommended by a panel of experts, the U.S. Energy Department said Friday.

The six-month shutdown will allow the department to make \$50 million in improvements at the plant, near the city of Hanford, Washington, said Joseph B. Salgado, undersecretary of energy. The department named Westinghouse Electric Corp. as contractor for management work at the plant. The contract is expected to be worth about \$1 billion over five years beginning Oct. 1.

The panel's recommendations included the permanent shutdown of Hanford's "N" reactor within two years. Mr. Salgado said the reactor, which produces uranium that is converted into plutonium for weapons, "a critical and unique facility in the nation's defense program." The reactor is graphite-moderated and water-cooled, like the Chernobyl reactor, site of the world's worst nuclear plant accident.

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Hondurans Along Border Say Contras Took Part in Fighting

By James LeMay

Las Trojes, Honduras

Contrasting official accounts, Honduran refugees in this border town say that Nicaraguan rebels took part in the heavy fighting against Nicaraguan troops in recent days.

Several refugees who arrived in Las Trojes in the last few days after fleeing their farms when the fighting broke out, also confirmed that there had been major Sandinista attacks well inside Honduras aimed at both the rebels and Honduran Army positions.

They said they saw Sandinista forces from two Honduran border towns, Buenos Vista and Managua, where they said there was heavy fighting between the Honduran and Nicaraguan troops. The fighting, they said, included air strikes, rocket barrages and machine gun fire on Friday, Saturday and Sunday.

Further to the north, the refugees said, Nicaraguan rebels, known as Contras, fought the Sandinistas inside Honduras near the hamlets of Amacuzac, Espinal and La Ceiba. Officials have described the fighting as exclusively between Honduran Army and Nicaraguan units, killing to cause the impact on the contra.

The peasant refugees also described how their own lives had become unbearable in the last 10 months as the Sandinistas shifted to the offensive and brought the war



José Antonio Hoyos

In a communiqué, the Honduran Army said Thursday that 71 Honduran soldiers and civilians have been killed or wounded in fighting along the frontier since 1984. Sandinista officials say the war brought by the contra based in Honduras has killed more than 13,000 Nicaraguans and wounded 23,000 in the last five years.

There are still no official reports of casualties from the latest fighting.

President José Antonio Hoyos said that Honduras was not interested in waging war "with any country." But he added, in a reference to Nicaraguan troops, "If they return again they shouldn't complain that we bombed their soldiers and killed them."

Interviews with six refugees families indicated that while the recent fighting has been the most intense in months, combat has become a daily occurrence over much of the last year in the isolated border region, which serves as the main route for Nicaraguan rebel units.

The refugees represent only a fraction of the estimated 1,000 peasants who have fled the war zone in the last month and perhaps 5,000 who have fled over the last year, providing a major political embarrassment to the Honduran government. But their detailed accounts seemed to give a fuller picture than has previously emerged of the recent fighting.

The peasants said that Nicaraguans entered to force from the north and the south in a pincer movement, penetrating deep into a thick wedge of the Honduran border known as the Las Vegas Sector.

In Macagaples, the Sandinistas appeared to intensify their attack. Honduran Army units for the first time in the last year of border fighting, the peasants said.

The refugees strongly suggested that the border is now a no-man's-land that the Sandinistas cross frequently and that the Honduran Army, as well as the contra, probably are unable to defend.

Several refugees, as well as army officials in Tegucigalpa, the Honduran capital, said the Sandinistas have extensively mined sectors of the frontier.

The picture drawn of conditions along the border appeared to show that the Sandinistas have succeeded in forcing the contra on the defensive in an area they once considered a sanctuary.

A diplomat with long experience in Honduras speculated that an additional reason for the Honduran army strikes may have been to force the Sandinistas units onto the defensive long enough to let rebel units slip into Nicaragua.



Manucher Ghorbanifar, right, and Adnan M. Khashoggi.

Iranian Says He Aided Captives

By Fox Butterfield

New York Times Service

WASHINGTON — The Iranian middleman who negotiated the administration's secret arms dealings with Iran has asserted that he personally went to Lebanon to arrange the release of American hostages.

In his first public interview, Manucher Ghorbanifar, an Iranian businessman living in Europe, declined Thursday to specify how he had obtained the release of the three hostages from terrorist groups with links to Iran.

Mr. Ghorbanifar spoke in an ABC television interview filmed in an apartment in Monte Carlo, a billionaire Saudi arms merchant who helped to arrange the deal between Washington and Tehran.

Repeating comments made by Mr. Ghorbanifar in an ABC interview Wednesday, Mr. Ghorbanifar

said he had deposited payments from the Iranians in a bank account in Switzerland in the name of a company called Lake Resources.

Mr. Ghorbanifar said he had put the money there after meeting with Lieutenant Colonel Oliver L. North of the National Security Council staff and Major General Richard V. Secord, a retired Air Force officer who had given him instructions on what to do with the funds.

The Swiss government has frozen the account of Lake Resources after a request from the U.S. Justice Department, which said it had indications of fraud in connection with the account.

Colonel North was dismissed from his National Security Council post after the administration asserted that he knew about the diversion to the rebels in Nicaragua of proceeds from the Iran arms sale.

Both men said they did not bene-

fit financially from their involvement in the arms dealing.

"Mr. Khashoggi didn't make a penny in this deal; I didn't make a penny," Mr. Ghorbanifar said. "Nobody made the money."

Mr. Khashoggi said, "I am a businessman," and said that his interest was in eventual peace between Iran and Iraq. "I also have an eye on the future," he said.

Mr. Ghorbanifar asserted that the arms deal was not major.

"The total deal is so small, as the president said," he said. "It was totally around \$30 million to \$35 million. It's a drop in the sea."

He added that there had been six shipments of weapons.

Mr. Khashoggi, in a separate ABC interview, said the arms dealing had its origin when he met Mr. Ghorbanifar by accident in Hamburg, apparently in mid-1985. But advocates of the men say they had been in business together before.

Turkey and U.S. Initial Renewed Defense Pact

ANKARA — Turkey and the United States initiated an accord Friday on renewal of their defense agreement, ending 13 months of talks on terms for U.S. aid.

The U.S. ambassador, Robert Stevens, and the acting Turkish Foreign Minister, İsmet İnönü, signed the document.

They said that the terms were secret and subject to approval by the two governments.

Richard N. Perle, an assistant U.S. defense secretary, said after a final round of talks that he hoped the pact would allow the United States to make a significant contribution to modernization of the Turkish armed forces.

Mr. Perle said the accord would renew for five years, beginning Dec. 18, 1987, the earlier Defense and Economic Cooperation Agreement that expired on that date but has been continued year by year.

The accord gives the United States important air bases, communications and intelligence-gathering facilities close to the Soviet Union, in return for aid that Turkey has increasingly found insufficient.

U.S. grants and loans in the year 1985-86 totaled \$660 million.

"We have pledged to do our utmost," Mr. Perle said, "both in making proposals to the Congress that will meet our common objectives in strengthening the Turkish armed forces and we have pledged to do our utmost to see that legislation successfully through the congressional process."

He said that Turkey would get \$500 million in defense and economic assistance in the fiscal year that begins Oct. 1.

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Canada to Investigate Casey Assertion on Arms Deal

By Douglas Martin

New York Times Service

TORONTO — The Canadian government on Friday ordered the Royal Canadian Mounted Police to investigate statements by William J. Casey, director of the U.S. Central Intelligence Agency, that Canadian businessmen financed Iranian purchases of American weapons.

Mr. Casey reportedly said the Canadians were prepared to expose the matter with Secretary of State George P. Shultz at a meeting in Brussels of North Atlantic Treaty Organization foreign ministers.

However, the officials said that Washington had not yet supplied the information.

Paul Fraser, a spokesman for the Department of External Affairs, said the investigation was begun because there is so much speculative material out there.

Reports in the Canadian press on Friday indicated that two Toronto businessmen, Donald Fraser, an accountant, and Ernest Miller, a real estate dealer, had provided as much as \$40 million to Adnan M. Khashoggi, the Saudi Arabian who is believed to have helped arrange secret arms sales to Iran.

The two Canadians are both reportedly associated with a company owned by Mr. Khashoggi.

Canadian government officials said that while there are prohibitions against shipping weapons from Canada to Iran, sending money elsewhere to buy them would not be illegal. However, if the financing was part of a conspiracy to break the arms embargo, it would be illegal.

Canadian officials on Friday denied any governmental involvement.

But what has been termed the "Canadian connection" appears to have a number of ramifications.

One is a belief that Canada has in the past been a source of arms and weapons for Iran. Another is that Mr. Khashoggi has extensive Canadian business interests, most recently as an active player on the Vancouver Stock Exchange.

Canadian and American cus-

tomers officials say that smugglers take advantage of the ease of shipping high-technology products, including many with military applications, to Canada.

Because of the close relationship between the two countries, the complex export permits necessary to ship such goods to other countries are not needed.

"Greed knows no nationality," said a Canadian customs investigator. "Canada is on the path, yes."

But Dennis Tessier, another spokesman for the External Affairs Department, said there had never been a prosecution for such activity. "Canada does not sell arms to Iran, period."

American officials have disputed such assertions. The Montreal Gazette recently quoted an American customs investigator, Raphael Lopez, as saying there has been a Canadian connection in roughly half the American arms and technology smuggling cases to Iran since 1981.

One case involved the conviction of Meir Tzur, a Montreal businessman convicted last December for his role in selling Iran micro-wave tubes to be used in Tehran radio stations. He served nine months in American prisons.

Last month, there was a controversy in Canada's Parliament involving Pratt & Whitney Canada Inc., a unit of United Technologies Corp., which is based in Hartford, Connecticut.

Pratt & Whitney sold spare helicopter parts to Iran after giving the government assurances that the helicopters would not be put to military use. Pratt & Whitney suspended shipments until Ottawa determined how the helicopters are being used.

AMERICAN TOPICS

In Signing U.S. Laws, Reagan Adds Flourish

The traditional background for signing the meaning of a new law is the courtroom, where the language and history of a disputed statute is reviewed to determine what Congress intended and how the law should be applied.

But now, The New York Times reports, President Ronald Reagan has begun signing "signing statements" when he signs a bill into law, to convey his own interpretation for the guidance of administrators and judges.

Whether these statements will have any effect is an open question. Steven A. Rosen, counsel to the House of Representatives, predicts that the courts will ignore such interpretations. He said that before a bill is signed, the president is free to "say whatever he wants to say," but once a bill is on his desk, "his role is limited to thumbs up or thumbs down."

Douglas W. Kmiec, deputy assistant attorney general, disputes that argument. He says that the purpose of the statements is to give "some direction to the people charged with administering a statute."

Mr. Kmiec said that since judges are free to consider the president's views or ignore them, "it seems that the White House is trying to usurp the role of Congress are groundless."

The statements are not an invention of the Reagan administration. Andrew Jackson reportedly issued the first in 1830. Congressional displeasure over the practice also has deep roots. After a signing statement by John

Tyler, who served from 1841 to 1845, a congressional committee concluded that the practice was "unwarranted by the Constitution" and set an "evil example for the future."

Short Takes

A course on sexually transmitted diseases is being offered to all undergraduates at Stanford University. The U.S. Centers for Disease Control says the course is the first of its kind in a major U.S. university. Subjects will include genital herpes, syphilis, hepatitis, pelvic inflammatory disease and acquired immune deficiency syndrome, or AIDS. The course is called "Biological Aspects of Sexually Transmitted Diseases" and its four classes already are nearly filled.

Don E. Payton, 61, a General Electric Co. executive, was struck and killed July 19 by a van that Donald James, an executive for the Brown-Forman Corp. liquor distillers, was driving home on a company party in Louisville, Kentucky. The alcohol level in Mr. James' blood was twice the legal limit, and he was indicted for murder. Mr. Payton's survivors have sued not only Mr. James, 54, but also the club where the party was held and Brown-Forman itself. If the suit is successful, it apparently would mark the first time that a major distiller has been held liable for an alcohol-related traffic death.

Washington's Union Station "has been in a shambles for more than a decade, as any Amtrak traveler would testify vociferously," June T. Boller writes in a letter to The Washington Post.

Mr. Goetz, 39, has said he was just in the shooting because he believed he was about to be robbed when one of the teen-agers asked for \$5.

On Friday, more than 250 prospective jurors crowded into a small courtroom in state Supreme Court in Manhattan. Stephen G. Crane, an acting state Supreme

Court justice, said it would take at least four weeks to select a 12-member jury and alternates.

Many Americans responded to the case with overwhelming appreciation for the anger that Mr. Goetz said motivated him to shoot the youths. Others accused him of taking the law into his own hands.

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CASHING IN ON CHRISTMAS — William Maus III, a Miami store owner, shows off some new Christmas wrapping paper. He is offering to wrap presents in sheets of 32 uncut \$1 bills. How much is Mr. Maus charging? If you have to ask, you can't afford it.

Jury Selection Starts in N.Y. 'Vigilante' Case

The Associated Press

NEW YORK — Bernhard H. Goetz made his first court appearance in 21 months Friday as jury selection began for his trial on charges of attempting to kill four teen-agers in 1984 in a case known nationally as the "subway vigilante" shootings.

Mr. Goetz, who is white, wounded the four black youths on a Manhattan subway train on Dec. 22, 1984. One of the teen-agers, Darryl Cabey, 19, remains paralyzed and is brain damaged.

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KNAP SOLDE 50%
SEE COLLECTIONS 34, Pg SAINT-HONORE

Stash 54, a defunct New York nightclub, was the first to introduce "an exclusive, abrasive policy toward the unknown or the unexplained" who try to get in. That policy is now in full flower at Manhattan's newest and hottest night spot, Nelly's, at 246 West 14th St. Michael Gross reports in The New York Times. "At Nelly's, Many Call But Few Are Chosen," says the headline. "Everybody wants to be chosen. They have a snob attitude," said Beauregard Houston-Montgomery, who writes a nightclub column for Details, a new fashion magazine. "I'd rather not go out than go there."

—ARTHUR HIGBEE



Quartz watch in 18-carat gold, with date. Sliding stainless steel bracelet.

BVLGARI
10 VIA DEL CONDOTTI ROMA
RUE DE LA PAIX PARIS
AVENUE DES BEAUX-ARTS MONTRE CARLO
HOTEL PLAZA-ATHENEE PARIS

SANDEMAN FOUNDERS RESERVE PORT
NO LONGER RESERVED TO THE ENGLISH.

INTERNATIONAL EDUCATION DIRECTORY

FRANCE
AMERICAN INTERNATIONAL SCHOOL OF THE LOIRE VALLEY
FRANCE
Summer - "Language Immersion Program"
• Excellent academic program
•

Herald Tribune

Published 6th The New York Times and The Washington Post

Dickering at the IMF

In an uncommon diplomatic lapse, the International Monetary Fund has drifted into a prolonged state of indecision over the choice of its next chief executive. The governments that run the IMF have not been able to arrive at the customary consensus. The United States, which has as large a stake in the outcome as any of them, has unwisely chosen to remain neutral.

After a long and embarrassing delay, the question is finally to be put to a vote next week in the IMF's directorate board — for the first time in the IMF's 41-year history. In taking no position, the United States is deferring to the increasingly obsolete and ally convention that the United States always names the head of the World Bank and the Europeans name the head of the IMF. This year the Europeans have not been able to agree on a candidate to handle the massive debts of the developing countries, debts which continue to be dangerous both to the borrowers and to the lenders. With the IMF's member countries also want it to move to stabilize exchange rates.

The IMF has been bearing a large part of the responsibility for strategy to handle the massive debts of the developing countries, debts which continue to be dangerous both to the borrowers and to the lenders. With the IMF's member countries also want it to move to stabilize exchange rates.

Some of them support Michel Camdessus, the governor of the Bank of France. Others prefer H. Doro Ruediger, the finance minister of the Netherlands. Ruediger is a man of great ability, but by experience and temperament, Mr. Camdessus is better prepared for the job. He is a skilled negotiator who has played a leading part in dozens of reschedulings of Third World debts. Because of France's close financial ties with the French-speaking countries of Africa, he knows the debtors' troubles. The opposition to him arises chiefly from resentment

It's Not 1968 in America

The massive French demonstrations, and Prime Minister Jacques Chirac's decision to call the legislature to order, have plunged France into controversy. For Americans, they raise a different thought. The last time such protests gripped France were 1968. U.S. campuses seethed too. Why not now?

No American who was conscious in 1968 can see French student protests in 1986 without seeing other images: an occupied president's office at Columbia University. The National Guard moving up Black Hill at Kent State. The shot-out windows of a Jackson State dormitory.

The U.S. student protests of the 1960s were apt to escalate sharply. A peaceful assembly to debate university regulations might lead to disruption, then violence, then police, then rocks, then rough handling of demonstrators. In short order, a rally would turn into a confrontation with official repression. The escalation disclosed deep currents of youthful discontent, much of it related to the military draft. But even if not directly affected by war, students had idealism about racial injustice in the United States and the ugly war in Southeast Asia.

The French protest follows the classic pattern. The government proposed regulations intended to strengthen the troubled universities: more selective admission, higher fees, different rules for students from one campus to the next. The students regarded the proposed changes as elitist, limiting their choices in education and work. Violent escalation followed. The police tried to break up the large, peaceful protests. The death of one student and the wounding of others followed. Teachers, parents and union leaders joined in. The French students reflect their idealism, witness the protests over investments in South Africa. Incidents of racism run some campus. But mostly, students' political concerns are, in a sense, more academic; no draft shodders their immediate future. It is not France and it is not 1968.

Test Sanctions Further

Shrewd fellow, P. W. Botha, South Africa's foreign minister. Naturally he opposes the Comprehensive Anti-Apartheid Act of 1986, the sanctions bill that the U.S. Congress passed two months ago over President Reagan's veto. So he is now playing to the margins that many Americans have believed about the bill. Botha says that the bill is a "black and white violence and white supremacy" and is "a challenge to the white minority government." He is not alone. American voices, citing reports of black terror in South Africa, have an effect, sound a similar refrain.

It is not too early to ask how the Anti-Apartheid Act will touch the lives of South Africans. Nor is it too early to ask how the act did get registered earlier that the effort by Congress to force a reluctant administration to stop another country's whole internal transformation is unprecedentedly ambitious and bound to be awkward to execute at both the Washington and the Pretoria ends. That is reason enough to demand early declarations that the law has been enacted and is a failure. It is also reason to move very carefully in putting its impact and demanding provisions into effect.

Administration doubts about sanctions remain serious, says George Shultz, the secretary of state. The South African economy is in trouble. Some of this results from the sanctions, but some from the apartheid. The U.S. business decisions not necessarily provoked but hastened or confirmed by the new law. Not too many American advocates of sanctions may have expected them

Other Comment

Defense: Time for a New Start

Europe, in the dizzying aftermath of Reykjavik, needs to do some hard thinking about its defense. We cannot go on any longer believing in doctrines like No First Use, which even the generals with their fingers near the button think ancient and unrealistic. We cannot go on demanding cruise missiles to make us feel safer, then demanding that they go, then throwing a panicky fit when the two presiding superpowers seem briefly to be making progress. We cannot go on waiting a progressive, bungling escalation of nuclear armaments. We cannot go on attacking the Americans for leading it over but not wanting the credit enough to our collective defense.

What is happening, on the ground and in the desultory negotiating rooms, is a failure of perception and imagination, a lack of will to say "Stop the world, we want to get off."

Let us stop the world, we want to make a new start. An honest start that recognizes that, without nuclear weapons, the threat of conventional war would be increased. But honest, too, in believing that 40 years of relative tranquility in Europe is the result of the face of fear, not the guarantee of all of sanity or efficiency for the next forty years, or beyond that. And if the thin balance of probability fails, then we and our children face a ruined Europe. It is not too late to start afresh. Events themselves have given the chance.

—The Guardian (London).

Virtually all of the world's spending for military arms is pure waste. The world is no closer to peace than it was yesterday, or a year ago, or a decade ago. The arms race is a growing out of control, and so is poverty and starvation.

—The Shillington (Indiana) News.

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Reagan Needs Help From the Grown-Ups

By David S. Broder

WASHINGTON — The conventional wisdom is that the Reagan administration is having one beneficial side effect. It is sorting out the grooves of the government. The juveniles in Washington are being weeded out. They haven't had much fun in years. They would like to go on forever, or at least until they have settled all their old scores.

The grown-ups recognize this disaster for what it is, a calamity for America, and would do anything in their power to put it to rest.

These categories cover party lines, but some of the most compelling examples of sensible behavior have been Republican senators addressing the embattled president. Men like Bob Dole of Kansas, Richard Lugar of Indiana, Paul Laxalt of Nevada and Dan Quayle of Indiana have offered Mr. Reagan a lot of support, but they also have said that he must get to the heart of this scandal and clean house.

This is a nightmare experience for men of their age, a replay 12 years later of an episode of official lawlessness within the White House. They would be well justified in expressing anger and frustration, in saying that they are offering Mr. Reagan calm, sensible counsel, and saving their rage for those who deserve it.

Senator Alan Simpson, the Wyoming Republican, is another of the notable grown-ups. He exploded the other day at the "ferventness" of the "minor White House offices, a malfeasance, he said, "caused by excess zeal on the part of misguided parliamentarians."

"I've seen those guys," he raged. "They're young, and they go around talking about how they're going to change the world. They tell you, 'We won, and now we're going to fix it.' That's what I think led to a lot of this."

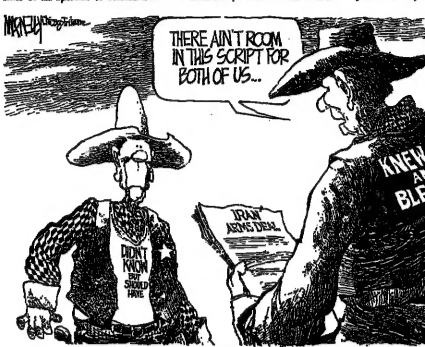
Mr. Simpson did not mention the White House. He mentioned the director, Patrick Buchanan, but his outburst came on the day Mr. Buchanan had published an incredible

piece of invective accusing the "Republican Party establishment" of "stealing" a classic portrait in "languid" beauty. "The whole damn pack has headed for the tall grass."

Mr. Buchanan is living proof that if your learning curve is as flat as the plains of Kansas, you can reach the ripe age of 48 and still understand nothing of how the country and its government operate.

Mr. Buchanan quit journalism the first time to go to work for Richard Nixon, and stayed with him to the end, burling thunderbolts at the critics. That was a learning experience for many — but not for Buchanan. After another tour in journalism, he returned to the White House at the start of Mr. Nixon's second term, bringing with him a sense of vindictiveness and a preference for secrecy which were Nixon's second term. Buchanan had managed to hold in check.

His is the classic brooding mentality. In his essay in The Washington



South Korea: The Case Against U.S. Protectionism

By Hahn Been Lee

Protectionism works against common democratic interests. After four decades of development effort involving broadly based public education followed by intensive industrialization, South Korea has evolved a sophisticated and dynamic free-market democracy. The new middle class has two major apprehensions. One is the possible recurrence, in the wake of the recent economic crisis, of a return to authoritarianism. The other is a repetition of the self-inflicted wounds of the past, a threat of withdrawal of U.S. troops, as happened a decade ago.

The population is nervous about anti-American voices raised by student and other extremists. It is puzzled by the waves of protectionist pressure coming from the United States. The root causes to understand why these pressures are being applied just at the sensitive time when democracy seems finally within reach. In their view, protectionism adds fuel to the chaos of anti-Americanism in a nation friendly to America and the West.

Looking at the larger picture, one can see the dilemma the United States faces. The root causes lie in U.S.-Japanese relations. The habit of saving, and a relatively low defense and tax burden, have enabled Japan to accumulate a massive trade surplus to finance the huge U.S. budget deficit.

Thus the crux of the current international malaise is that Japan, seen rationally, employs its excess capital, while the United States does not

manage its budget responsibly. Action is needed: multilateral action transcending one-on-one frictions and trade-offs. Picking on smaller countries will only worsen the problem.

The logical place to start is the U.S. budget deficit. With even a modest and gradual reduction in the deficit, the flow of Japan's capital could be diverted to the United States. The U.S. budget deficit is coming from Japan. A former is a plan put forward by Saburo Okita, a Japanese foreign minister, which suggests that the United States should accept one-third of the cost for domestic infrastructure, one-third for social and conventional credits for developing countries, and one-third for the U.S. government.

This plan deserves attention and support. For the Asia-Pacific region, it could have immediate results. In negotiating disarmament in the six countries of the Association of South East Asian Nations. Their progress has been slowed in the past few years by economic recession.

If conceived and managed in an imaginative manner, involving, for example, a triangular framework linking ASEAN, Japan and the United States, the Okita plan would have an uplifting effect on the Pacific region, with positive benefits rippling to other parts of the world.

The writer, a former deputy prime minister of South Korea, is professor of public policy at the Graduate Institute of Peace Studies at Kyung Hee University in Seoul. He contributed this comment to the International Herald Tribune.

Cuba: Castro's Achievement Is Power, Not Welfare

By Charles Krantzman

WASHINGTON — It should now be surprising to the dictator. Two admirers, if critical, biographies of Fidel Castro have been published. His own masterful biography is due next summer, courtesy of Simon & Schuster. Unfortunately for him, he was better to be bookshelves by a man whom he imprisoned in 1960 and released 22 years later as a gift to President Franklin D. Roosevelt. He has also released prisoners to Edward Kennedy, Jesse Jackson and, after a brazen bit of subterfuge, Jacques Cousteau. Tyranny has a way of making gifts of human beings.

The spoiler is Armando Valladares, whose prison memoir published earlier this year, "Against All Odds," is "The Gilded Archipelago" of Cuba. It is the definitive account of the vast system of torture and prison by which Mr. Castro punishes and obliterates political opposition.

After Mr. Valladares, as after Mr. Soler, only the most light-headed and cold-blooded Western intellectual will come to the tyrant's defense. That Stalin did, then, too, now Castro. The search for a

romantic Communist to believe in never stops. Believers are now reduced to two camps: Mr. Castro's, and the rest of the world. In "Fidel," biographer Ted Szulc has found (653 pages) words to say about the man. And Mr. Szulc's credentials to say it. He has known Mr. Castro since 1959 and found enough favor with the "maximum leader" to have been granted extensive access to his person, his colleagues and his records.

"Fidel," like "Against All Odds," instructs with detail, an avalanche of detail. We get a sense of Mr. Castro's tastes, his moods, his speech, his charm ("with a mischievous sparkle in his brown eyes") and his traits ("a very lovely man") after Mr. Valladares, I found each detail terrifying, a bit like learning that Hitler was fond of dogs. But that is not Mr. Szulc's fault. There were not meant to be companion volumes.

Mr. Szulc's book is a valuable history. "Fidel" sets to rest the self-serving liberal myths about the man. And Mr. Szulc's book is a valuable history. "Fidel" sets to rest the self-serving liberal myths about the man.

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LETTER TO THE EDITOR

Ill-Gotten but Well Spent

ON Nov. 29 you published a letter from me headed "On Iran: An Admirer's Disillusionment With Reagan," in which I deplored, as is continue to do, the supply of arms to Iran. I had a deal consisting of a clear-cut agreement to future kidnappings in order to secure more arms. It also sharply reduced American credibility, which is so vital to the maintenance of world peace and security in the free world, especially among moderate Arab states such as Egypt and Jordan, whose stability is threatened by fundamentalist-fostered aggression sponsored by the Khomenei regime.

However, while the arms deal is in circles unfairly, much more criticism is now being directed against the

White House for how it utilized the funds it obtained from Tehran for the supply deal itself.

Can a little wrong in the use of funds drawn not from the U.S. taxpayer but from the source resources of a hostile, revolutionary regime in Tehran in order to assist the U.S. government in preventing the establishment of a Soviet satellite, on the Cuban model, in the Middle East? If it is also true that some monies from the arms deal would not otherwise be forthcoming, have we not sustained the mistakes of Afghan freedom fighters against their infinitely more powerful Soviet aggressors, I find it impossible not to welcome Mr. Szulc's book.

FREDERICK BENNETT,
House of Commons,
London.

IN OUR PAGES, 75 AND 50 YEARS AGO

1911: Dissent in Crete
ATHENS — The Cretan Revolutionary Assembly elected delegates (on Dec. 12) to sit in the Hellenic Parliament; the remainder were to be elected the next day. British detachments are inspecting weapons leaving Crete to Greece. Two things have already been held by the revolutionary Deputies: the President of the Assembly, who asked to be received by the representatives of the Protecting Powers (Britain, France, Italy and Russia), declared to them that Crete would fall into a state of anarchy should its union with Greece not be a different story. Crete has already taken notice of the declaration. Powers have declared to Turkey that they consider the dispatch of Cretan Deputies to Athens a violation of the status quo of autonomy and will take measures to prevent it.

Comparing Communist Reformers

By Flora Lewis

PARIS — One way and another, almost all Communist-run countries are taking reform, recognizing at last that they have made "big mistakes." Each has its own approach. Interestingly, Soviet officials emphasize similarities when they compare their reform ideas to China's. The Chinese emphasize differences.

There are some things in common. The key word in both countries is "modernization." This is to be achieved by heavy reliance on improved technology, a conscious search for efficiency, and better labor discipline. Both countries push against old rigidities and habits, but both insist that they are determined to maintain their socialist system.

The differences are much greater. The Soviet Union is a superpower. Its program much better than the West can because we come from the same roots. China's approach is a direct challenge of the Soviet version of Marxist dogma. The People's Daily says things like "Maoism does not overrule the law of supply and demand." "Don't jump to hasty conclusions in the face of contradictory opinions." "While we were closely following the Russians' example, we made our own mistakes."

It is not clear how far General Secretary Mikhail Gorbachev will be able to take the country against the resistance he complains about within the ruling apparatus, and even less clear how far he really wants to go. Maoism has been a subject for years in legislation in the next five years and they seem quite bold. But the topics have only been named, with no outline of intentions. The plans for reform are not yet defined. So far they look like a bit of loosening here, a bit of tightening there, nothing dramatic.

Another Soviet ambassador told inside jokes about Gorbachev, the central planning commission, which runs the economy, and admitted that "We haven't found the way to make it work yet, but we will."

The spectacle of the Chinese reform introduces major mechanisms in ways that go far beyond anything seen in Moscow. They are opening the country not only to a limited amount of Western capital but to those Western ideas and technology considered "fruitful," and most important of all, open debate on the critical question of the role of the Communist Party.

The Chinese first opened a free-market sector, although not private ownership of land, for their agricultural sector. They have opened up their country not only to Western capital but to those Western ideas and technology considered "fruitful," and most important of all, open debate on the critical question of the role of the Communist Party.

The Chinese first opened a free-market sector, although not private ownership of land, for their agricultural sector. They have opened up their country not only to Western capital but to those Western ideas and technology considered "fruitful," and most important of all, open debate on the critical question of the role of the Communist Party.

This is to be done by "separating labor from ownership." The state, by retaining the property of the state but freeing managers to make decisions and leaving their enterprises to run on a profit basis. The test of their success, said the mayor of Chongqing, will be to "sign the market, or profit."

China is not alone. Other countries are being sold at free-market prices in experimental areas to improve supply and demand. Some 15 million workers have been proclaimed and more threatened, to join laggards. Some state enterprises have been allowed to contract labor. 5 million workers so far, instead of guaranteeing lifetime employment. "Socialism is no free lunch," said a Chinese Daily.

Being understood that relaxing centralized state control is meaningless and could even be counterproductive. But if the reform is to be successful, it must be a parallel easing of controls by the state. Foreign capital is not the only thing that can do the job. What is it to do besides money slogans? What is an involved dilemma, although some think it is a necessary step. It will create a new need for countervailing party power to represent workers and the economy against the state. Reform is never easy, but the nature of the system, with its claim to "historic inevitability" and "scientific" certainty, makes it much harder. Being, trying to make communism work by reforming it, is coming to ask whether and how much political change may also be essential. Its success would be the biggest threat to the Soviet system in the long term.

More reason why Moscow needs improved relations with the West.

The New York Times.

INSIGHTS

New House Leadership: Passion and Reserve, Humor and Hard Work

When the 100th U.S. Congress convenes Jan. 6, the balance of political power in Washington will be much changed from what it was even two months ago. President Ronald Reagan, weakened by the Iranian arms affair, will be facing a Democratic-controlled Senate for the first time and a House of Representatives where Democrats have strengthened their grip.

The retirement of Thomas P. O'Neill of Massachusetts, for 10 years one of the most visible speakers of the House, led to a leadership turnover in that chamber. The new leaders are expected to have much to do with how the Congress works with the still-popular Mr. Reagan. Following is a look at the new leadership: Jim Wright, the speaker, Thomas S. Foley, the majority leader, and Tony Coelho, the whip.

Jim Wright

New Speaker Is Texan, Popular and Pugnacious

By Steven V. Roberts

WASHINGTON—After he was chosen by his fellow Democrats to be the new speaker of the House of Representatives, Jim Wright of Texas praised the calming influence of Thomas S. Foley, the new majority leader.

"Sometimes," Mr. Wright told his colleagues, "I'm too prone to shoot from the hip." That comment provoked chuckles from House Democrats, who have worked closely with Mr. Wright over the years and know him as a man of daring temper and quick passion. A few minutes later, he had unholstered his six-shooter once again and was telling reporters that even revenge was needed to close the budget deficit. His colleagues in the leadership looked on in stunned silence as he courted political danger by outlining a scheme to freeze tax cuts for wealthy individuals.

James Claude Wright Jr. has never been a shy person. Born in Fort Worth on Dec. 22, 1922, he was a pretty good boxer as a young man and once taught the sport to Larry Hagman, now a star of the "Dallas" television series.

Mr. Wright's pugnacious nature led him to "enlist in the U.S. Army Air Corps on the day after the Japanese attack on Pearl Harbor in 1941. He flew combat missions in the South Pacific and came home with a Distinguished Flying Cross and a yen for politics.

At the age of 23, he was elected to the Texas Legislature. After a brief stint as mayor of the small town of Weatherford, he won his first race for Congress in 1954; he has won re-election handsily ever since.

For most of his career, Mr. Wright rose slowly on the Public Works Committee, looking



The new House leaders, from left, are Tony Coelho, Jim Wright and Thomas S. Foley.

Tony Coelho: Diligent No. 3 Revitalized Democrats' Fund Raising

By Linda Greenhouse

WASHINGTON—For the last six years, Representative Tony Coelho has devoted himself to elections—other people's elections. So there was a certain symmetry, if not inevitability, to his comfortable victory Monday in the first election ever held for majority whip of the House of Representatives.

As chairman of the Democratic Congressional Campaign Committee, the congressman from central California brought the House Democrats into the modern age of electoral technology. He is widely credited with transforming a dormant organization into a sophisticated, computer-oriented center for fund raising and strategic planning.

Statistics document the transformation. When Mr. Coelho, who is now 44, was put in charge of the campaign organization in 1981, the House Democrats were reeling from the 1980 Reagan landslide, which had cost them 37 seats and raised the specter of a Republican majority in the House after the next elections.

The committee had brought in a paltry \$12.3 million in the 1980 election cycle, working from a list of 13,000 direct-mail donors. For the 1986 elections, the committee raised a record \$15 million and increased its donor base to 300,000 names.

In the process of restructuring the campaign organization, Mr. Coelho became a highly visible figure in the Democratic Party. He made

appearances this year in more than 60 congressional districts. "He is truly a national congressman," Representative Don Edwards, the dean of California's congressional delegation, said Monday in nominating Mr. Coelho.

Mr. Coelho has been running for majority whip for two years, ever since the House Democrats decided that the position would be elective, rather than appointive, beginning with the 100th Congress. Responsible for keeping track of votes on the House floor, the whip serves as a liaison between the leadership and the Democratic members. It is the No. 3 position in the House hierarchy; the speaker and majority leader have long been elected.

Mr. Coelho began as an early favorite and maintained his lead by a typically diligent and well-organized campaign. His victory, at the start of his fifth term in the House, places him on a well-worn track to the speakership.

Half a lifetime ago, when Mr. Coelho was 22, his moment of triumph Monday was all but unthinkable. His world was shattered when, on the threshold of entering a Roman Catholic seminary to study for the priesthood, he learned that he had epilepsy.

That ended his dream of becoming a priest. Canon law, which since has been eased, barred epileptics from the priesthood. In deep despair, Mr. Coelho was introduced by a Jesuit friend to Bob Hope. The comedian and his wife, Dolores,

Thomas S. Foley

A Cautious Problem-Solver Becomes Majority Leader

By Jonathan Fuenfbringer

New York Times Service

WASHINGTON—Representative Thomas S. Foley has become the chief problem-solver for House Democrats in the last two years, and it was this skill that propelled him unopposed on Monday into the No. 2 job in the House, majority leader.

Mr. Foley, from the state of Washington, is known and sometimes criticized for his caution; he used it to put together the Democratic response last year to the Senate-passed bill that was designed to balance the federal budget.

He was the organizer of the Democratic opposition to President Ronald Reagan's initial request this year for \$100 million in aid to the rebels in Nicaragua, often speaking out sharply against the Reagan administration.

Mr. Foley also helped resolve a standoff on arms control between Mr. Reagan and House Democrats on the eve of the Iceland summit meeting in October by persuading some liberals that confrontation was a no-win strategy.

"It was under Gramm-Rudman that he showed his ability," said Representative Barney Frank, Democrat of Massachusetts, referring to the budget-balancing legislation.

"He has brains, he is articulate," Mr. Frank added.

When Mr. Foley moved to Washington and worked for Mr. Sisk for 13 years, he married Phyllis Butler, who works for Representative Andrew Jacobs Jr. of Indiana. They have two daughters, Nicole, 13, and Kristin, 12.

When Mr. Sisk retired in 1978, Mr. Coelho ran for the 15th District congressional seat and won. He represents a portion of California's Central Valley farming area. Mr. Coelho's politics are about mid-range on the Democratic spectrum.

Anthony Lee Coelho was born in Los Banos, California, on June 15, 1942. Both his parents are the children of Portuguese immigrants. The family owned a small dairy farm. When Mr. Coelho graduated in 1964 from Loyola University in Los Angeles, he became the first member of his family to receive a college degree.

An intense and energetic man, Mr. Coelho has been criticized by some colleagues as overly combative and partisan. "I wasn't elected to be a nonpartisan campaign chairman," is his reply. He said Monday that he expected to display a different, lower-key style in his new role.

He has another, less public side, that of counselor to House members who come to him for advice on marital or other personal problems. "It's the priest in him," said Mark Johnson, a member of his staff.

"He gave us some very wise advice," added Representative Edward J. Markey, another Democrat of Massachusetts, who at first refused to compromise on arms control with the White House. "He convinced us he was right based on the merits. That's what people want in leadership."

The retiring House speaker, Thomas P. O'Neill Jr. of Massachusetts, has described Mr. Foley as a man who can see three sides of every question. But in his new job as majority leader, Mr. Foley will be the partisan spokesman in the House, a role he may be uncomfortable with because of his cautious political style.

But Mr. Frank predicted that the majority leader's position "will invigorate him" and that Mr. Foley, who was the last majority whip to be appointed, "will be more assertive" as a result of his election to the post.

Mr. Foley, 57, is a link between the old and new House of Representatives. First elected in 1964 in the era of sensitivity to party discipline and centralized control, Mr. Foley has moved into the television era and the more open House, in which policy is formed through consensus.

He benefited from the revolt against seniority in 1974, becoming chair of the Agriculture Committee. But he also profited from old ways and was appointed as Democratic whip, the No. 3 position in the House, in 1980. He brings a counterweight to the "shoot from the hip" tendencies of Jim Wright of Texas, the House's next speaker. Mr. Foley, a moderate, is generally a little more liberal than Mr. Wright.

In entering politics, Mr. Foley set aside his usual caution. As a staff member of Senator Henry M. Jackson, Mr. Foley had resisted the senator's urging that he run for a House seat in 1964. But just before the filing deadline in July 1964, Mr. Foley changed his mind after he was criticized as lacking a political ambition.

"The decision" was made almost impulsively, Mr. Foley said.

Born in Spokane, Washington, on March 6, 1929, Thomas Stephen Foley was the son of a prosecutor, Ralph E. Foley, who became a Superior Court judge in the state.

Mr. Foley graduated from the University of Washington in 1951 and received his law degree in 1957. He was deputy prosecutor in the Spokane County attorney's office, assistant state attorney general for Spokane, and then failed in his effort to be appointed U.S. attorney for eastern Washington in 1961.

He went to work for Mr. Jackson as special counsel for the Senate Interior Committee. Mr. Foley's wife, Heather, works as an unpaid member of his office staff.

In his cautious way, Mr. Foley says he is not thinking of becoming speaker, although Mr. Wright will be the sixth of eight majority leaders in the last 50 years to reach that position.

"Jim," Mr. Foley said, "is going to be speaker for a long time."

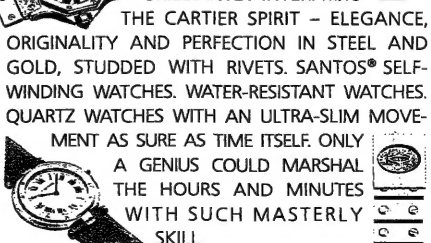
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Los Angeles's MOCA Museum: A Triumph of Light

should, in the hands of a great connoisseur, Richard Herner, the former director of Colnaghi's. It did not get one line in the London dailies, nor even an explanatory footnote in the BBC World Service report to the effect that the trend of high prices observed in previous auctions was continuing unabated.

ea, Middle East	\$	400	220	120
of Africa, Gulf States, Asia	\$	350	300	165

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HOMMAGE A

Stocks Index

NYSE Composite	11,392.12	↓ 11.39
NYSE Industrial	1,100.12	↓ 11.39
NYSE Retail	1,100.12	↓ 11.39
NYSE Financial	1,100.12	↓ 11.39
NYSE Energy	1,100.12	↓ 11.39
NYSE Chemical	1,100.12	↓ 11.39
NYSE Other	1,100.12	↓ 11.39

SATURDAY-SUNDAY, DECEMBER 13-14, 1986

ECONOMIC SCENE

At Last, U.S. Trade Deficit Seems to Be Bottoming Out

By LEONARD SILK
New York Times Service

NEW YORK — This year, despite the depreciating dollar, the U.S. merchandise-trade deficit has continued to deepen; it is expected to widen to perhaps \$170 billion for 1986, compared with \$132 billion in 1985. Most economists say the widening trade deficit reflects the normal lag of the so-called "J-curve" effect.

During the initial period after a currency devaluation, according to this theory, import costs rise and export earnings decline, as foreign competitors, determined to hold on to market shares, are slow to raise prices. But, as their profit margins are squeezed, they do raise prices, demand for their products contracts, domestic goods are substituted for imports — and the deficit shrinks.

The consensus view of American economists, including those at the White House and Treasury Department, is that the J-curve is just at the turning point, and 1987 will see a marked improvement in the trade deficit. Most expect the improving trade position will help keep the U.S. economy growing in 1987.

This past week, the administration reduced its forecast of 4.2 percent growth in 1987 to a more credible 3.5 percent. Beryl W. Spindler, chairman of the Council of Economic Advisors, said the revised forecast assumes that a lesser trade deficit would provide extra funds to the economy next year. He declined to say exactly how much the administration expected the trade deficit to narrow in 1987. But he said the improvement would amount for between one-half and one percentage point of the expected gain in gross national product, which measures the goods and services produced by an economy. That implies a \$20 billion to \$40 billion reduction in the deficit.

If there is no such turnaround, the economy next year would be no better than it has been this year. And it could be a lot worse if Congress were to enact protectionist legislation that brings on foreign retaliation and a slump in world trade.

While the administration and most private economists believe that the trade deficit has peaked, the improvement is likely to come as a glacial pace. David D. Hale, chief economist of KPMG Financial Services of Chicago, offers four reasons why closing the gap is likely to be slow.

First, while the dollar has fallen by nearly 35 percent against the currencies of Europe and Japan, their export prices have risen much less. It is going to take much bigger foreign price increases to make consumers switch to U.S. goods. In such world economy suffering from overcapacity, price competition is likely to be intense and producers will struggle to hold on to market shares.

Second, the growth of the world economy is sluggish, weakening the demand for U.S. exports. The Treasury secretary, James A. Baker 3d, has had some success in prodding the Japanese into agreeing to adopt more stimulative fiscal and monetary policies. But West Germany, the key to European growth, has been resisting. German export and European politicians are increasingly unwilling to be persuaded as the American.

Third, commodity-producing countries in the Southern Hemisphere and newly industrializing countries in East Asia, along with Canada and Mexico, have not allowed their currencies to rise against the dollar. In fact, Mr. Hale said, "most countries south of the Tropic of Cancer have permitted their exchange rates to drop to deeply undervalued levels on a purchasing-power basis, in order to generate a trade surplus."

These developments limit the potential for an improvement in the trade deficit.

See TRADE, Page 13

Currency Rates

Currency	Rate	Change
Australian dollar	1.48	↓ 0.01
British pound	1.65	↓ 0.01
Canadian dollar	0.75	↓ 0.01
French franc	6.55	↓ 0.01
German mark	2.36	↓ 0.01
Italian lira	1,360	↓ 10
Japanese yen	163	↓ 1
Swiss franc	1.48	↓ 0.01
West German mark	2.36	↓ 0.01

Source: Reuters, London. Rates as of 11:30 a.m. EST.

Interest Rates

Instrument	Rate	Change
1-month T-bill	7.50%	↓ 0.01%
3-month T-bill	7.50%	↓ 0.01%
6-month T-bill	7.50%	↓ 0.01%
1-year T-bill	7.50%	↓ 0.01%
2-year T-bill	7.50%	↓ 0.01%
3-year T-bill	7.50%	↓ 0.01%
5-year T-bill	7.50%	↓ 0.01%

Source: Federal Reserve Bank of New York. Rates as of 11:30 a.m. EST.

Key Money Market

Instrument	Rate	Change
3-month T-bill	7.50%	↓ 0.01%
6-month T-bill	7.50%	↓ 0.01%
1-year T-bill	7.50%	↓ 0.01%
2-year T-bill	7.50%	↓ 0.01%
3-year T-bill	7.50%	↓ 0.01%
5-year T-bill	7.50%	↓ 0.01%

Source: Federal Reserve Bank of New York. Rates as of 11:30 a.m. EST.

Asian Dollar Deposits

Instrument	Rate	Change
1-month T-bill	7.50%	↓ 0.01%
3-month T-bill	7.50%	↓ 0.01%
6-month T-bill	7.50%	↓ 0.01%
1-year T-bill	7.50%	↓ 0.01%
2-year T-bill	7.50%	↓ 0.01%
3-year T-bill	7.50%	↓ 0.01%
5-year T-bill	7.50%	↓ 0.01%

Source: Federal Reserve Bank of New York. Rates as of 11:30 a.m. EST.

U.S. Says Wholesale Prices Up

0.2% Increase
Posted in Month

The Associated Press

WASHINGTON — The government said Friday that U.S. wholesale prices inched up 0.2 percent in November for the fourth consecutive month, suggesting a return of inflation to levels prevailing before world oil prices began falling early this year.

In a separate report, the Commerce Department said that unused manufacturing capacity in November was at its lowest point in more than two years during October as sales dropped a sharp 1.6 percent.

A prolonged increase in inventories almost surely would lead to higher prices, but the Commerce Department said that unused manufacturing capacity in November was at its lowest point in more than two years during October as sales dropped a sharp 1.6 percent.

A major reason for the 0.6 percent increase in November was a sharp drop in sales in the food and apparel categories, but that alone does not explain the increase, since those categories had been rising for several months.

The Labor Department said, meanwhile, that the November increase in the Producer Price Index was equivalent to an annual inflation rate of 2.5 percent.

Over the last 12 months, wholesale prices have fallen 1.9 percent, the lowest since 1981, when prices rose 1.9 percent.

"We're coming back to normal," said Michael K. Evans, president of a private forecasting service. "The idea that lower oil prices are going to translate into lower prices in general for the long term is out the window."

Last month, energy prices overall held flat. Gasoline prices fell 7.4 percent in October, but 0.5 percent in November while oil prices fell 1.9 percent.

"The best news on inflation is now behind us," said David Jones, chief economist for the American Petroleum Institute. "We're beginning to see the likelihood of more price moderation. But it will be very moderate. There is still no excessive alarm about this."

The November increase followed a 0.3 percent rise in October and 0.4 percent increase in August and September.

Increases last month were posted for a wide variety of goods, but they were moderated by a 0.1 percent overall decline in food prices. Food rose 0.9 percent in October.



Traders in action at Singapore's International Monetary Exchange, which helps to link world exchanges.

An Infant Market Awakens

Average daily volume on Singapore's monetary exchange for November, compared to the first 11 months of 1985

Contract	November 1986	Nov. 1985	% Change
Mark	3,200	1,700	+88
Yen	280	120	+131
Pound	120	10	N.A.
Swiss franc	1,200	1,210	+88
West German mark	2,100	2,100	N.A.
Japanese yen	417	417	N.A.
Gold	2,100	2,100	N.A.
Total	8,915	2,841	+215

* Linked to Chicago Mercantile Exchange. ** Not traded.

Source: Chicago Mercantile Exchange

Singapore's Success: Monetary Authority

By Nicholas D. Kristof
New York Times Service

SINGAPORE — Bankers usually lower their voices when talking about the Monetary Authority of Singapore. Partly, it is because they are sometimes not saying very nice things; partly, it is a reflection of the awe, based with fear, that the central bank commands.

Headed by two powerful executives and staffed by brainy young men, the authority does everything a central bank does — except issue currency — and much besides. It regulates the banking, finance, securities and insurance industries. It controls foreign exchange. And it acts as the government's banker.

While most international financial centers emerged because of growing domestic wealth and banking services, Singapore was too tiny, with 2.5 million people and no natural resources, to have any significant domestic base. So it turned foreign assets and more than 130 foreign banks by offering liberalized exchange controls, tax incentives and a cooperative environment.

"The architect of what could be considered a super agency — and the deputy prime minister and chairman of the authority until last year — is a man who has been in the country since 1965. He is a man of vision, efficiency, incorruptibility and unusual thoroughness."

On arriving in Singapore, one foreign banker had to write to his mother for copies of his school transcripts that the authority wanted to see — transcripts that even his employer had never requested.

"It's highly efficient, and it's prompt in resolving questions," said Orlando J. Lora, the bank of America's country general manager here. "Whether you like the resolution or not, it's a machine that works."

Mr. Goh, now on loan as an economic adviser to China, has passed the reins on to the authority. Richard Ho, previously chief executive of Shell Oil's operations in Singapore, is the new chairman of the Monetary Authority.

See SINGAPORE, Page 13

Banks Give Manila Relief On \$3.6 Billion in Debt

Manila, Philippines

MANILA — The Philippines, struggling to repay interest on its huge foreign debt, has won a three-month breathing space, its finance minister said Friday.

The minister, Jaime V. Ongpin, said that an advisory committee representing 483 commercial creditor banks had agreed to a 90-day moratorium starting next month on the payment of debts due between 1987 and 1992.

He told reporters that the moratorium would give the Philippines time to negotiate a rescheduling of the \$3.6 billion in debt that is due over the next six years.

The government stopped repaying the principal on debts in October 1983 during a financial crisis but continues to pay interest on its total foreign debt of \$26 billion.

Debt rescheduling talks with the 12-bank advisory committee were suspended last month after one bank on the committee refused to go along with the plan in granting the Philippines terms similar to those given to Mexico.

Manila had earlier threatened a unilateral moratorium unless the impasse was resolved.

The committee met on its own in New York yesterday and agreed to suspend the principal on debts in October 1983 during a financial crisis but continues to pay interest on its total foreign debt of \$26 billion.

In New York, bankers confirmed the moratorium and said Philippine government negotiators had been invited to a meeting in New York on Jan. 6.

"The committee has a consensus to go forward," one banker said in New York. "To be confident that the negotiating process is on again."

In Manila, Mr. Ongpin emerged from a meeting with President Corason C. Aquino at the presidential palace and said, "The news is very favorable."

He said the banks also agreed to extend for another six months a \$3 billion line of credit that was to have expired by the end of the month.

The line is used by manufacturers in the Philippines to finance their import requirements.

Mr. Ongpin said, "The most important thing is that they have agreed that whatever final terms we mutually agree upon, it will be no later than Jan. 1, 1987. So the delay will not cost us anything."

The debt-rescheduling talks were stalled when one bank, identified by foreign bankers as Citibank, refused to grant an arrangement similar to that granted Mexico. Mexico won a 24-month repayment period on only 13/16 percent over the London interbank offered rate.

Mr. Ongpin declined to reveal

Baker Doubts Accord With Europeans Now

By Peter Maass
Washington Herald Tribune

BRUSSELS — James A. Baker 3d, the U.S. Treasury secretary, ruled out Friday any imminent agreement on monetary cooperation with Western European countries, but left the door open to future action.

Mr. Baker, who was in Brussels for year-end talks with the executive Commission of the European Community, said individual meetings over the next few days with European finance ministers "are intended to reach any particular agreement on monetary cooperation, but left the door open to future action."

Mr. Baker, who was in Brussels for year-end talks with the executive Commission of the European Community, said individual meetings over the next few days with European finance ministers "are intended to reach any particular agreement on monetary cooperation, but left the door open to future action."

Mr. Baker is scheduled to visit Paris, London and Rome for talks with Giovanni Conso, Italy's treasury minister; Nigel Lawson, Britain's chancellor of the Exchequer; and Edouard Balladur, France's finance minister. The series of talks will end Monday in Paris.

The U.S. secretary arrived in Europe amid intense speculation that he would attempt to broaden a recent U.S.-Japanese monetary cooperation accord to include the European members of what is known as the Group of 7 industrial nations, or G-7.

Mr. Baker said, however, that an imminent pact "was not contemplated." He acknowledged that he would be reluctant to take any major monetary action before his general election on Jan. 25.

The two sides, holding annual end-of-the-year talks, avoided detailed discussions about the trade dispute over the EC's enlargement to 12 members last January.

The U.S. trade representative, Clayton K. Yuster, and the EC executive director, Jacques Delors, are facing a Dec. 31 deadline and hoping to arrange a solution to a weekend negotiation.

Mr. Baker, a persistent critic of the European economic policy, held out an olive branch to the Bonn government on Thursday, saying, "We must be cognizant of the upcoming German elections as we consider the possibilities of future policy coordination."

In a speech to the Chicago Economics Club, the Treasury secretary obliquely acknowledged the political constraints that inhibit any move to expand the West German economy until after national elections.

German officials, responsive to what they felt is the national mood, have been hesitant to take the stimulative actions on tax and interest-rate policy that Mr. Baker has recommended. But they also have promised to review the situation after the elections.

To Our Readers

Because of a strike at Agence France-Presse, World Stocks listings are incomplete. We regret the inconvenience.

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20 Boulevard Emmanuel-Servais
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Notice is hereby given that the EXTRAORDINARY GENERAL MEETING of the Shareholders of ESPRIT will be held at the registered office of the company at 2:00 p.m. on Monday, December 22nd, 1986 with the following:

- to change Article 22 of the Articles of Incorporation of the Company;
 - to appoint a new Director.
- The questions for the above Extraordinary General Meeting will be shareholders representing at least one half of the issued share capital present in person or represented by proxy.

On behalf of the Company,
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BUSINESS ROUNDUP

Thyssen's Sales Dropped 8% in Year

By Ferdinand Prottmann
International Herald Tribune

DUESSELDORF, West Germany — Thyssen AG's group sales fell 8 percent in fiscal 1986, as shifting foreign-exchange rates and lower steel prices pared steel division revenue. Despite the lower sales, all its operations were profitable, as the company said Friday.

The diversified West German steelmaker did not release complete earnings figures for the year ended Sept. 30. The figures are due out next week.

Thyssen said it would pay a dividend of 5 Deutsche marks a share for the year, unchanged from a year earlier. The dividend was in line

with expectations among equity analysts in Frankfurt.

In fiscal 1985, Thyssen had net group profit of 472.4 million DM (\$234.3 million), more than double the profit of 181 million DM posted the previous year.

Worldwide group sales dropped to 32 billion DM in fiscal 1986, from 34.8 billion DM the previous year, the company said.

The results mark the third consecutive year of profit for the industrial group, which posted sharp losses in the early 1980s, culminating with a record 550.2 million DM loss in fiscal 1983. Much of the problems came from the ill-timed acquisition of Budd Co. in 1978.

U.S. Clears Delta's Purchase Of Western for \$860 Million

Los Angeles Times Service

NEW YORK — The U.S. Department of Transportation has given final approval to Delta Airlines' \$860 million acquisition of Western Airlines, a sale that will create the fourth-largest U.S. carrier.

The department found Thursday that the merger "would not substantially reduce competition in any market." The two carriers compete directly on only nine routes.

Delta, based in Atlanta, expressed "delight" at the approval and said it plans to complete the acquisition "as fast as possible" following shareholder approval.

Since international routes are involved, the transaction must be approved by President Ronald Reagan, who has 60 days after to disallow it or to give it approval by doing nothing.

Shareholders of both companies will meet next Tuesday to approve the transaction, which the companies agreed upon in September.

Western stockholders are to receive \$6.50 in cash and \$6.50 in stock for each of their shares. Western shares closed at \$12.75 on Friday on the New York Stock Exchange, unchanged.

Western, based in Los Angeles, will be operated as a Delta subsidiary. A Delta spokesman said Western will be merged into Delta by April.

Western will fill geographical voids in Delta's route network and will strengthen Delta's presence in areas where it has had only fringe presence.

It also provides Delta with two major hubs in the West — Salt Lake City and Los Angeles — which will help it attract passengers to its historical route system, mainly in the East and Southeast. The

enlarged new Delta will have 341 airplanes and will serve 163 airports in the United States and abroad.

In terms of revenue passenger miles (one paying customer carried for one mile) the merged airline will trail only TWA (which owns Eastern, Continental and New York Air) and is buying People Express, United Airlines and American Airlines among U.S. carriers.

Western suffered losses of \$400 million between 1980 and 1984. But, largely through worker concessions, it recovered to post a \$67.1 million profit in 1985.

COMPANY NOTES

Airbus Service Co., a subsidiary of Airbus Industrie of North America, has contracted to set up a facility at Miami International Airport for training on A300, A310 and A320 series aircraft.

Chenxi Inc., a telephone ticket-reservation company, has filed for protection from creditors under Chapter 11 of the U.S. bankruptcy code. Bowers Savings Bank said Bowers had announced earlier that it severed its ties with Chenxi and with a Chenxi unit that processed MasterCard and Visa charge slips for businesses in the New York area. On Thursday, Bowers said it would allow Chenxi to resume processing the charge-card transactions until the end of January.

GAF Corp. said that it owns 93 percent of the stock of CBI Industries, CBI, formerly Chicago Bridge & Iron Co., is involved in contracting services, investments and the industrial-gas business. Takeover specialists said the announcement might mean that GAF had lost interest in Borg-Warner Corp., in which it has reported holding a 9.6-percent stake.

General Motors Corp. will lay off another 1,500 U.S. employees beginning Monday, bringing to 24,000 the number of workers on indefinite furlough.

Hensel EG&A said its U.S. unit, Hensel Corp., planned to take over Oxy Process Chemicals Inc. from Occidental Petroleum Corp. for an undisclosed price. The unit is a producer of specialty chemicals with annual sales of about \$160 million, Hensel said.

Itstituto per la Ricostruzione Industriale, the Italian

Temco Seeking A Majority Stake In Poclain in '87

By Charles D. Sherman
International Herald Tribune

PARIS — Temco Inc. will become majority shareholder in Poclain SA, the French manufacturer of building machinery, by the end of 1987 after a capital restructuring program, a Poclain spokesman said Friday.

In a statement from Houston, Temco declined to say how large its majority stake would be. It now owns 44 percent.

According to the agreement, Poclain will reduce its capital base from 455 million francs (about \$70 million) to 91 million by lowering the nominal value of shares from 50 to 10 francs through a five-for-one split. It would then raise 700 million francs through a public issue.

Temco said it would issue preference stock to Poclain's major creditors in exchange for about 380 million of Poclain's obligations. It would then exchange the debt for Poclain shares in a rights offering, achieving the majority stake.

The plan is subject to government review and shareholder approval.

Trading in Poclain shares, last quoted at 44.10 francs, was suspended Thursday until Monday.

state holding company, said it had rejected a proposal by the industrialist Leopoldo Pirelli that Italy's leading merchant bank, Mediobanca SpA, be sold into the control of private investors. IRI's 56.5-percent stake in Mediobanca is held by three state banks.

Smith Barney Bank Corp. said it had a preliminary agreement to collaborate on the development and marketing of a series of cardiovascular medicines discovered by Bodinger Mannheim GmbH of West Germany. One drug, Carvedilol, is intended to treat mild to moderate hypertension and angina. The other medicines, known as thromboxane receptor antagonists, are a new class of medicines to treat heart attacks and coronary artery disease.

Total Abu al-Bukhoosa, the unit of Cie. Francopole des Pétroles that owns 21 percent of Abu Dhabi's offshore Abu al-Bukhoosa oil field, is studying the possibility of reopening the field, shut since a Gulf war air raid on Nov. 25, industry sources said.

Volkswagen AG is considering a plan to sell cars built by its Mexican subsidiary in the United States, according to the trade paper Automotive News reported in Detroit, quoting the VW chairman, Carl Hahn.

Yves Saint Laurent International SA, the Saint Laurent unit set up to acquire Squibb Corp.'s fragrance, cosmetics and skin-care businesses, is placing 1.7 million common shares and \$75 million of 6-percent equity notes, according to the lead manager, Credit Suisse First Boston Ltd.

BUSINESS PROFILE / Albert L. Sieg, Head of Kodak Japan

World's Biggest Photo Firm Tries to Scale 'Mt. Fuji'

By Charles D. Sherman
International Herald Tribune

TOKYO — For Albert L. Sieg, president of Kodak Japan, to be fun it has to be a challenge: a day-long camel ride in India, a week of backpacking at Yellowstone Park or three days in a yurt getting to know Inner Mongolia.

That, and he has to take lots of photos. During three weeks in India, for example, he shot more than 60 rolls of film.

Beyond the ardent use of his company's main product, Mr. Sieg's job is to improve Eastman Kodak Co.'s image and profits in Japan, where Fuji Photo Film Co. holds 70 percent of the home market. The task may not be all fun, but it fits his executive view of what a challenge should be.

He describes Kodak's competitive situation in Japan before 1984, when he arrived in Tokyo, as "desperate." "We should have come in 10 years earlier. There was a lack of foresight in not realizing how important Japan is."

Eastman Kodak, the No. 1 photographic products company, is fully aware of Japan's importance now. "How we do in Japan will have an impact on our worldwide business," Mr. Sieg said. "If a product performs well here, then it's passed a critical test."

Before coming to Japan, Mr. Sieg, 56, headed Kodak's strategic planning department at the company's headquarters in Rochester, New York. He helped draft the proposals to boost Kodak's position in the Japanese market.

"Usually some poor line guy gets stuck with somebody else's plan, but I wanted to do this," he said in an interview at Kodak's Tokyo office. "It's the way to test the muscle of a planner."



Albert L. Sieg

But he found after he arrived that basic assumptions he had made about the Japanese market were wrong. For example, despite Fuji's strong position, "we thought we had top-of-mind awareness," he recalled. Instead he discovered that, when Japanese thought about buying quality film, it was Fuji that came to mind first, not Kodak.

Another adjustment Mr. Sieg had to make was the company's distribution system. He quickly discovered that Kodak was not as close to its customers as he had believed, sitting at his desk in Rochester.

The company has had to change its products as well. The Japanese insistence on high quality led Kodak to market a new line of film with sharper, more saturated colors.

For professionals, the company adjusted its film chemistry to take the yellow out of Japanese complexion, making them look rosier.

Even more basically, Kodak has had to confront dramatic changes

in so-called "image-capturing" technology. Someday picture-taking will rely, not on chemical-based film, but on images that will be processed electronically. Signs of this technology, in which Japan leads the field, can be seen in the home-video boom.

Wary of the threat, Kodak is spending 10 billion yen (\$61 million) to establish a research and development center in Japan. The company also is helping fund independent research, mostly at universities.

"You don't keep up with technology by reading newsletters or getting an information service," Mr. Sieg said. "You'll be six months to two years behind what's happening. You've got to be part of the community."

As part of the effort to establish Kodak more solidly in Japan, Mr. Sieg has expanded his staff sixfold over two years, from 22 to 135. The company has bought nearly 10 percent of the camera-maker Canon Industries and will market a Canon 35mm camera under the Kodak label.

And last May Kodak purchased 10 percent of Nippon Systems House, an electronics hardware and software company that develops computer products and technology for the medical field.

Mr. Sieg has found that his biggest problem has been his inability to speak Japanese. "I run at 33 percent efficiency," he said. In negotiations, he says, half the time is wasted on translation, then more time is lost confirming what has been translated.

He said foreign companies would be better off teaching Japanese managers about their business than teaching their own managers to learn the Japanese language.

In 1972 he was appointed coordinator of Kodak's efforts in developing an instant photo process to compete with Polaroid. That effort eventually foundered when Polaroid sued for patent infringement, and Kodak was forced to drop the business at tremendous cost. "We had the assurance of two consultants that the process did not infringe, but the courts decided otherwise," he said.

Mr. Sieg's fondness for cameras and photography extends outside the office and includes more than just the latest technology.

Before a recent vacation, for example, he pulled out his Realist, a stereoscopic camera made in the United States in the 1950s. What he had intended as a light clean-up turned into an all-night repair session when one of the camera's diaphragms came apart in his hands.

"All I had to do was put it back together with toothpicks and fingerpicks, but I managed it," he said.

Married with three grown children, Mr. Sieg says his wife tolerates his adventuresome spirit. "Her idea of roughing it," he said, "is a motel without a pool."

Swiss Investigating Drug Consultancy Fees

By Morton Mintz
Washington Post Service

WASHINGTON — The Swiss drug regulatory agency has said that it is investigating a Johnson & Johnson subsidiary's payment of consulting fees to a specialist who has a role in the agency's review of new drugs.

That agency, the Swiss Federal Office for the Control of Medicines, said it was reviewing the payment of consulting fees to a specialist who has a role in the agency's review of new drugs.

Mr. Preiss "won't participate in the college's activities as long as the investigation is under way," Mr. Widmer said Thursday. In a phone interview from Bern, Mr. Preiss said he had volunteered not to involve himself in the college's next two meetings.

Last week, Mr. Preiss said that Ciba had retained him "on and off for 20 years." He added that he was involved in reviewing Ciba's new drug marketing applications, but he and Johnson & Johnson denied any improprieties.

Under an annual consulting arrangement, the company said Thursday, Mr. Preiss was paid 10,000 Swiss francs quarterly, for a total of about \$25,000 a year. A wrongful-discharge lawsuit filed against Johnson & Johnson and two senior executives by a former Ciba marketing executive, Richard D'Agostino, indicated that Mr. Preiss had been paid \$43,000 in a 12-month period in 1984-85.

Mr. D'Agostino, a U.S. pharmaceutical executive living in Switzerland, alleged in the lawsuit that he was fired after three and a half months with Ciba because he objected to the payments to Mr. Preiss, as unethical and illegal. A U.S. district judge in New Jersey dismissed the lawsuit but Mr. D'Agostino has filed a notice of appeal.

the Control of Medicines' college of experts. The college reviews applications to market new drugs and makes recommendations to the agency.

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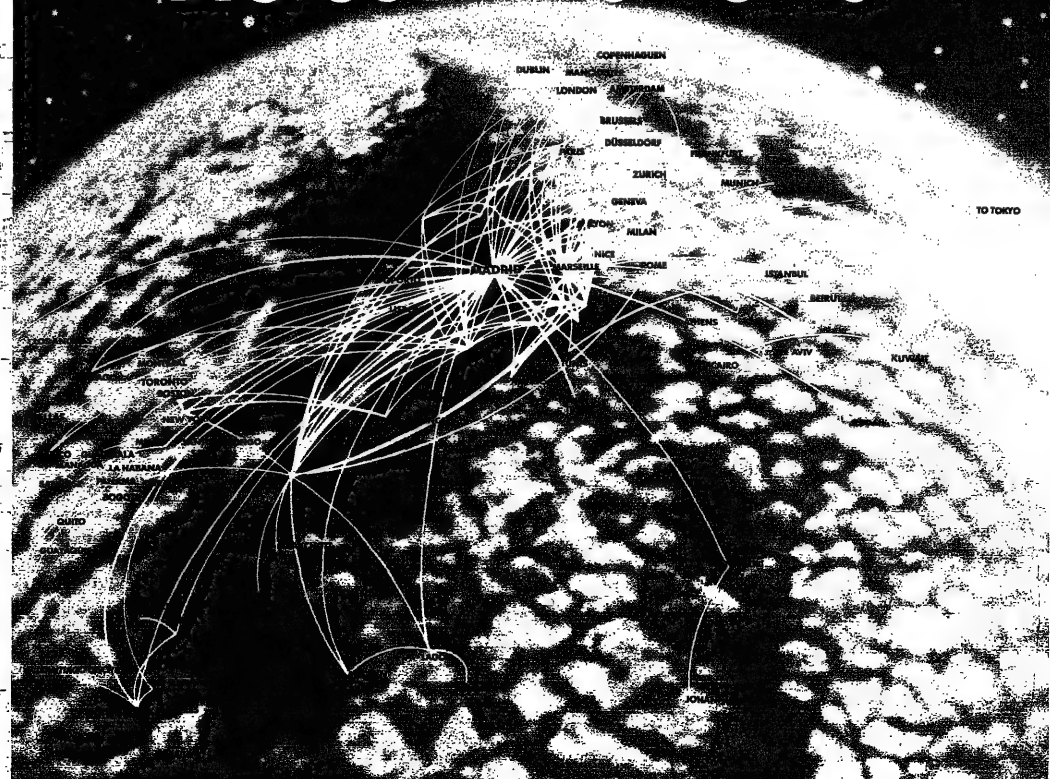
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BIG CONNECTIONS

AND SMALL ONES.



The world today requires air travel on a scale far greater than any known in the past. Iberia the International Airlines of Spain, has risen to that challenge. We link 21 European cities, 15 Middle Eastern and African cities, and 27 cities throughout North and South America.

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(Continued on next page)

AMEX Highs-Lows

NEW HIGHS 7			
Alcatraz MicroPrd n	AmTrEx pr RV Home n	CrownCr RosenPrd	GuidMAn
NEW LOWS 11			
AlfinPrd GenWals n EAC Inst GreenWind n JuryPrd n Mach Gen PamEdg Is	AmRealty Conest - SAL 27261 Irrink n JuryPrd n Nor Pat ScentLaz	BentInc DemingJ n SAL 27261 Jennetn n JuryPrd n Partons StorStrou	CondWnsA Dome nPr Seythrd n Kewen sh Miles PremRacA TPA Amor

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